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ADVANCE RULINGS

Fraunhofer-Gesellschaft ZurForderung



KAR AAAR/04/2021 – Fraunhofer-Gesellschaft ZurForderung

Facts:
Appellant is an organization incorporated in Germany, engaged in promoting R&D for industry and societal welfare. **Liaison office** is set up by it as an extended arm in Bengaluru which performs only the activities prescribed by RBI and no other income generating activity. For meeting its daily expenses, remittances are received from H.O.

Questions Raised:
Whether the Liaison office is liable to be registered under Gst and the activities performed by it chargeable to Gst as supply of services?

Analysis and Conclusion:
Reference was made to **section 22** of CGST Act which mandates every supplier making taxable supply of goods or services or both, whose aggregate turnover in a financial year exceeds 20lakhs to get itself **registered** in the state from where taxable supply is made. Further, as per the definition of supply u/s **7(1)(a)** of CGST Act, 2017, for an activity to be termed as "**Supply**", it must be done by a person for a consideration and in the course or furtherance of business. Since the liaison office is not permitted to undertake any business activity in India or earn income as remuneration, it cannot be said to be engaged in supply of goods or services.

Further, supply also includes the activities specified in **Schedule I** of the CGST Act. One such activity is supply made between related persons in the course or furtherance of business without consideration. However, ***liaison office doesn't have a separate legal existence in*** law but is only an extended arm of H.O., and the concept of related person arises only when there are two 'persons' in existence as per law. Hence, the activities performed by it cannot be termed as supply as per Schedule I.

Thus, since the activities of liaison office do not amount to supply under GST, there is no taxable supply made by it. This implies **no registration is required** u/s 22 of CGST Act.